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**From:**

**Sent:** Tuesday, March 31, 2009

**To:**

**Cc:**

**Subject:** Re: Informal Request for Info – Please Read ASAP

Speaking based on the facts of the email, it sounds like something we would challenge using the Step Transaction doctrine or Substance over form doctrine.

The proper characterization is treating it as though the taxpayer contributed real estate to the partnership, then used their cash to buy new real estate. Given the fact that this is a 1031, it all seems pre-wired. Particularly given the fact that the taxpayer continues to own the original property and has acquired new property without any recognized gain. We do allow taxpayers to contribute property to partnerships without gain recognition, however, in this case the taxpayer is attempting to use a partnership to get an artificial basis step-up in the property. This series of transactions would likely be subject to the recharacterization under partnership anti-abuse rule § 1.701-2.